



Peterson
Allred
Jackson

TOWN OF PARADISE

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2007**

▪ Certified Public Accountants
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INTRODUCTORY SECTION

PARADISE TOWN CORPORATION
Paradise, Utah 84328

August 14, 2007

Paradise Town Council
Paradise, Utah

Council:

It is with great pleasure that the financial statements for the Town of Paradise for the year ended June 30, 2007, is presented.

In addition to the fund financial information currently presented in the Town's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the Town including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2007, in accordance with these requirements.

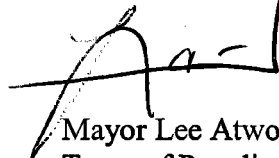
This report consists of management's representations concerning the finances of the Town of Paradise. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the Town from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Paradise's financial statements have been audited by Peterson Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Paradise for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved

examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Paradise's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

I wish to express my appreciation to all members of the Town who assisted and contributed to the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Lee Atwood', is written over a horizontal line.

Mayor Lee Atwood
Town of Paradise

FINANCIAL SECTION

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Peterson
Allred
Jackson

▪ Certified Public Accountants
Business Consultants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Paradise
Paradise, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the Town of Paradise, Utah (the Town), as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated August 14, 2007 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results for our audit.

The Management's Discussion and Analysis on pages 10-14, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Schedule of Impact Fees is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Impact Fees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Peterson Alfred Jackson

August 14, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Paradise, we offer readers of the Town of Paradise's financial statements this narrative overview and analysis of the financial activities of the Town of Paradise for the fiscal year ended June 30, 2007.

FINANCIAL HIGHLIGHTS

- The total net assets of \$1,434,841 is made up of \$673,705 in capital assets net of related debt and \$761,136 in other net assets.
- In the Enterprise Fund, revenues exceeded expenditures by \$20,488.
- Total long-term liabilities of the Town were reduced by \$15,115.

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town of Paradise's basic financial statements. The Town of Paradise's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Paradise's finances, in a manner similar to a private-sector business.

- The statements of net assets presents information on all of the Town of Paradise's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Paradise is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the Town of Paradise that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 16 & 17 of this report.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Paradise also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and proprietary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The governmental funds determined to be major are the General Fund (as determined by generally accepted accounting principles) and the Capital Projects Fund.

- **Proprietary funds** - The Town of Paradise maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Paradise uses enterprise funds to account for its Water Utility.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Paradise, assets exceed liabilities by \$1,434,841.

By far the largest portion of the Town of Paradise's net assets (47%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 537,945	\$ 439,587	\$ 290,446	\$ 258,241
Capital assets	<u>130,186</u>	<u>139,758</u>	<u>730,255</u>	<u>758,303</u>
Total assets	<u>668,131</u>	<u>579,345</u>	<u>1,020,701</u>	<u>1,016,544</u>
Long-term debt outstanding	—	—	186,736	201,851
Other liabilities	<u>66,308</u>	<u>53,283</u>	<u>947</u>	<u>2,163</u>
Total liabilities	<u>66,308</u>	<u>53,283</u>	<u>187,683</u>	<u>204,014</u>
Net assets:				
Invested in capital assets, net of debt	130,186	139,758	543,519	556,452
Restricted	373,330	170,757	195,087	171,990
Unrestricted	<u>98,307</u>	<u>215,547</u>	<u>94,412</u>	<u>84,088</u>
Total net assets	<u>\$ 601,823</u>	<u>\$ 526,062</u>	<u>\$ 833,018</u>	<u>\$ 812,530</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:				
Program revenues:				
Charges for services	\$ 107,569	\$ 125,233	\$ 95,450	\$ 112,544
Operating grants & contributions	4,505	10,288	—	—
Capital grants & contributions	54,759	44,616	—	—
General revenues:				
Property taxes	39,706	31,417	—	—
Other taxes	75,429	64,498	—	—
Investment income	13,258	6,956	13,433	9,270
Other revenues	<u>325</u>	<u>1,009</u>	<u>—</u>	<u>—</u>
Total revenues	<u>295,551</u>	<u>284,017</u>	<u>108,883</u>	<u>121,814</u>
Expenses:				
General government	81,389	72,379	—	—
Public safety	61,834	57,819	—	—
Highways/public improvements	59,492	231,667	—	—
Parks & recreation	17,075	26,069	—	—
Water	—	—	88,395	109,588
Total expenses	<u>219,790</u>	<u>387,934</u>	<u>88,395</u>	<u>109,588</u>
Increase (decrease) in net assets	75,761	(103,917)	20,488	12,226
Net assets, beginning of year	<u>526,062</u>	<u>629,979</u>	<u>812,530</u>	<u>800,304</u>
Net assets, end of year	<u>\$ 601,823</u>	<u>\$ 526,062</u>	<u>\$ 833,018</u>	<u>\$ 812,530</u>

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

As of the June 30, 2007, the Town's governmental fund (General) reported a fund balance of \$311,247. This represents a decrease of \$63,257 (17%) over last year's ending balances.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 39% of total general fund revenues. The largest element of taxes is sales taxes as it has been for the last several years. It represents 63% of total tax revenues and represents 25% of total general fund revenues. This compares with 22% in the prior fiscal year ended June 30, 2006.

As stated earlier, the Town maintains one enterprise fund to account for the business-type activities of the Town. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in the governmental funds include an increase in property tax and sales tax revenue of \$18,875.

Significant changes in business-type activities include a \$15,115 decrease in debt due to regular principal payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year the General Fund original budget was amended from an original budget expenditure total of \$189,727 to a final budget of \$415,037 (119%). These increases were made to take advantage of revenues and expenses being higher than originally anticipated for capital projects, streets, fire department, administration, and parks.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets- The Town of Paradise's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$860,441 (net of accumulated infrastructure (streets, sidewalks, etc.), and machinery and equipment. The total decrease in the Town's investment in fixed assets for the current year was 4% (due to depreciation exceeding new purchases).

Major capital asset events during the current fiscal year included the following:

- \$10,150 for fire department truck.
- \$1,718 for water equipment

TOWN OF PARADISE'S CAPITAL ASSETS

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Land	\$ 32,679	\$ —
Buildings and improvements	63,709	1,251,468
Park improvements	105,962	—
Infrastructure	930,245	—
Machinery & equipment	159,407	21,520
Less: Accumulated depreciation	<u>(1,161,816)</u>	<u>(542,733)</u>
Total	<u>\$ 130,186</u>	<u>\$ 730,255</u>

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

Long-term debt - At June 30, 2007, the Town had total bonded debt outstanding of \$186,736. Of this amount \$186,736 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

TOWN OF PARADISE'S OUTSTANDING DEBT

	Business-type <u>Activities</u>
Revenue bonds	<u>\$ 186,736</u>
Total outstanding debt	<u>\$ 186,736</u>

The Town's total debt decreased by \$15,115 during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

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TOWN OF PARADISE
STATEMENT OF NET ASSETS
JUNE 30, 2007
With Comparative Totals for June 30, 2006

	Governmental	Business-type	Total	Memorandum
ASSETS	Activities	Activities	2007	Only 2006
Cash	\$ 98,010	\$ 84,260	\$ 182,270	\$ 287,497
Account receivable	8,608	8,912	17,520	17,644
Taxes receivable	42,041	-	42,041	31,638
Restricted cash	380,747	195,087	575,834	350,209
Restricted taxes receivable	8,539	-	8,539	8,434
Bond discounts	-	2,187	2,187	2,406
Capital assets				
Land	32,679	-	32,679	32,679
Buildings and improvements	63,709	1,251,468	1,315,177	1,315,177
Park improvements	105,962	-	105,962	105,962
Infrastructure	930,245	-	930,245	930,245
Machinery & equipment	159,407	21,520	180,927	177,239
Less: Accumulated Depreciation	(1,161,816)	(542,733)	(1,704,549)	(1,663,241)
Total assets	<u>\$ 668,131</u>	<u>\$ 1,020,701</u>	<u>\$ 1,688,832</u>	<u>\$ 1,595,889</u>
LIABILITIES				
Accounts payable	10,352	177	10,529	8,713
Interest payable	-	770	770	837
Contractor retainage	15,956	-	15,956	15,896
Bonds payable:				
Due within one year	-	14,146	14,146	13,527
Due in more than one year	-	172,590	172,590	188,324
Deferred revenue	40,000	-	40,000	30,000
Total liabilities	<u>66,308</u>	<u>187,683</u>	<u>253,991</u>	<u>257,297</u>
NET ASSETS				
Invested in capital assets, net of related debt	130,186	543,519	673,705	696,210
Restricted for:				
Debt service	-	28,917	28,917	27,591
Roads and town improvements	373,330	166,170	539,500	315,156
Unrestricted	98,307	94,412	192,719	299,635
Total Net Assets	<u>\$ 601,823</u>	<u>\$ 833,018</u>	<u>\$ 1,434,841</u>	<u>\$ 1,338,592</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF PARADISE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007
With Comparative Totals for June 30, 2006

	Program Revenues			Net Governmental Activities	Business type Activities	Totals 2007	Memorandum Only 2006
	Charges for Services	Operating Contributions	Capital Grants & Contributions				
Governmental activities:							
General government	\$81,389	\$19,804	\$ -	\$ (61,585)	\$ -	\$ (61,585)	\$ (60,861)
Public Safety	61,834	40,532	4,505	(16,797)	-	(16,797)	(13,888)
Highways & public improvements	59,492	-	49,156	36,117	-	36,117	(131,470)
Parks, recreation & public property	17,075	780	-	(10,692)	-	(10,692)	(1,578)
Total governmental activities	219,790	107,569	4,505	(52,957)	-	(52,957)	(207,797)
Business-type activities:							
Water	88,395	95,450	-	-	7,055	7,055	2,956
Total business-type activities	88,395	95,450	-	-	7,055	7,055	2,956
General Revenues:							
Taxes:							
Property taxes levied for general purposes				39,706	-	39,706	31,417
Franchise taxes				2,700	-	2,700	2,355
General sales taxes & highway sales taxes				72,729	-	72,729	62,143
Business licenses				325	-	325	1,009
Investment income				13,258	13,433	26,691	16,226
Total general revenues & transfers				128,718	13,433	142,151	113,150
Change in net assets				75,761	20,488	96,249	(91,691)
Net assets - beginning				526,062	812,530	1,338,592	1,430,283
Net assets - ending				\$ 601,823	\$ 833,018	\$ 1,434,841	\$ 1,338,592

The notes to the financial statements are an integral part of this statement.

**TOWN OF PARADISE
GOVERNMENTAL FUNDS TYPE
BALANCE SHEET
JUNE 30, 2007**

With Comparative Totals for June 30, 2006

	General	Capital Projects Fund	Total Governmental Funds 2007	Memorandum Only 2006
ASSETS				
Cash	\$ 98,010		\$ 98,010	\$ 213,072
Accounts receivable	8,608		8,608	8,224
Taxes receivable	42,041		42,041	31,638
Restricted assets:				
Cash	220,357	160,390	380,747	178,219
Taxes receivable	8,539		8,539	8,434
Total assets	\$ 377,555	\$ 160,390	\$ 537,945	\$ 439,587
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 10,352	\$ -	\$ 10,352	\$ 7,387
Contractor retainage	15,956	-	15,956	15,896
Deferred revenue	40,000	-	40,000	30,000
Total liabilities	66,308	-	66,308	53,283
Fund Balance:				
Reserved for roads	114,008	-	114,008	75,946
Reserved for fire department	-	-	-	-
Reserved for first responders	-	-	-	-
Reserved for impact fees	98,932	-	98,932	83,011
Reserved for capital projects	-	160,390	160,390	11,800
Unreserved - undesignated	98,307	-	98,307	215,547
Total fund balance	311,247	160,390	471,637	386,304
Total liabilities and fund balance	\$ 377,555	\$ 160,390		
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			130,186	139,758
Net assets reconciled to the Statement of Activities			\$ 601,823	\$ 526,062

The notes to the financial statements are an integral part of this statement.

**TOWN OF PARADISE
GOVERNMENTAL FUNDS TYPE
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007
With Comparative Totals for June 30, 2006**

	General	Capital Projects Fund	Total Governmental Funds 2007	Memorandum Only 2006
Revenues:				
Taxes & special assessments	\$ 115,135	\$ -	\$ 115,135	\$ 95,915
Licenses and permits	3,792	-	3,792	7,742
Intergovernmental	47,816	-	47,816	54,904
Charges for services	67,189	-	67,189	83,137
Investment income	12,668	590	13,258	6,956
Miscellaneous	48,361	-	48,361	35,363
Total revenues	294,961	590	295,551	284,017
Expenditures:				
Current:				
General government	76,432	-	76,432	68,436
Public safety	62,019	-	62,019	52,732
Highways & public improvements	58,875	-	58,875	231,050
Parks, recreation & public property	12,892	-	12,892	22,217
Total expenditures	210,218	-	210,218	374,435
Excess (deficiency) of revenues over expenditures	84,743	590	85,333	(90,418)
Other financing sources (uses):				
Transfers in (out)	(148,000)	148,000	-	-
Total other financing sources (uses)	(148,000)	148,000	-	-
Net change in fund balances	(63,257)	148,590	85,333	(90,418)
Fund balances, beginning of year	374,504	11,800	386,304	476,722
Fund balances, end of year	<u>\$ 311,247</u>	<u>\$ 160,390</u>	<u>\$ 471,637</u>	<u>\$ 386,304</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF PARADISE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007
With Comparative Totals for June 30, 2006

	<u>2007</u>	<u>Memorandum Only 2006</u>
Net change in fund balances - total governmental funds	\$ 85,333	\$ (90,418)
<p>Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
	<u>(9,572)</u>	<u>(13,499)</u>
Change in net assets of governmental activities	<u>\$ 75,761</u>	<u>\$ (103,917)</u>

**TOWN OF PARADISE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Taxes:				
General property taxes	\$ 19,000	\$ 22,000	\$ 39,706	\$ 17,706
General sales & use taxes	45,000	59,000	72,729	13,729
Franchise taxes	1,200	1,200	2,700	1,500
Total taxes	<u>65,200</u>	<u>82,200</u>	<u>115,135</u>	<u>32,935</u>
Licenses & permits:				
Business licenses & permits	500	500	325	(175)
Non-business licenses & permits	2,800	2,800	3,467	667
Total licenses & permits	<u>3,300</u>	<u>3,300</u>	<u>3,792</u>	<u>492</u>
Intergovernmental revenues:				
Class "C" roads	36,337	36,337	41,047	4,710
State liquor allotment	400	400	293	(107)
State/Local Grants	6,530	6,530	6,476	(54)
Total intergovernmental revenues	<u>43,267</u>	<u>43,267</u>	<u>47,816</u>	<u>4,549</u>
Charges for services:				
Sanitation	39,000	43,000	46,453	3,453
Parks & recreation	800	800	780	(20)
Communication center	6,000	6,000	6,210	210
Fire department	-	30,810	13,746	(17,064)
Impact fees	5,000	6,000	11,448	5,448
Total charges for services	<u>50,800</u>	<u>86,610</u>	<u>78,637</u>	<u>(7,973)</u>
Miscellaneous:				
Interest	500	500	12,668	12,168
First responders	-	8,000	-	(8,000)
Celebrations	8,000	8,000	16,564	8,564
Other	-	-	20,349	20,349
Total Miscellaneous	<u>8,500</u>	<u>16,500</u>	<u>49,581</u>	<u>33,081</u>
Total Revenues	<u>\$ 171,067</u>	<u>\$ 231,877</u>	<u>\$ 294,961</u>	<u>\$ 63,084</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF PARADISE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(CONTINUED)
YEAR ENDED JUNE 30, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES				
General government:				
Administration	\$ 57,100	\$ 90,600	\$ 67,518	\$ 23,082
Building & grounds	-	-	8,806	(8,806)
Community development	-	-	108	(108)
Total general government	<u>57,100</u>	<u>90,600</u>	<u>76,432</u>	<u>14,168</u>
Public Safety:				
Police	3,000	3,500	3,048	452
Communication center	6,000	6,000	-	6,000
Fire	18,190	49,000	45,096	3,904
First responder	6,200	14,200	12,067	2,133
Animal Control	1,900	2,400	1,808	592
Total Public Safety	<u>35,290</u>	<u>75,100</u>	<u>62,019</u>	<u>13,081</u>
Highways & public improvements:				
Streets	36,337	36,337	17,518	18,819
Sanitation	39,000	43,000	41,357	1,643
Total highways & improvements	<u>75,337</u>	<u>79,337</u>	<u>58,875</u>	<u>20,462</u>
Parks, Recreation & Public Property:				
Parks and open spaces	22,000	22,000	12,892	9,108
Total parks, recreation & public property	<u>22,000</u>	<u>22,000</u>	<u>12,892</u>	<u>9,108</u>
Transfers	-	148,000	148,000	-
TOTAL EXPENDITURES	<u>189,727</u>	<u>415,037</u>	<u>358,218</u>	<u>56,819</u>
Net change in fund balance	(18,660)	(183,160)	(63,257)	119,903
Fund Balance at beginning of year	<u>374,504</u>	<u>374,504</u>	<u>374,504</u>	-
Fund Balance at end of year	<u>\$ 355,844</u>	<u>\$ 191,344</u>	<u>\$ 311,247</u>	<u>\$ 119,903</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF PARADISE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007
With Comparative Totals at June 30, 2006**

	WATER UTILITIES 2007	MEMORANDUM TOTALS 2006
ASSETS		
Current assets:		
Cash	\$ 84,260	\$ 74,425
Accounts receivable	8,912	9,420
Restricted cash	195,087	171,990
Total current assets	<u>288,259</u>	<u>255,835</u>
Capital assets		
Buildings and improvements	1,251,468	1,251,468
Equipment	21,520	21,578
Less Accumulated depreciation	<u>(542,733)</u>	<u>(514,743)</u>
Total capital assets	<u>730,255</u>	<u>758,303</u>
Other assets		
Bond discounts	<u>2,187</u>	<u>2,406</u>
TOTAL ASSETS	<u>1,020,701</u>	<u>1,016,544</u>
LIABILITIES		
Current liabilities:		
Accounts payable	177	1,326
Interest payable	770	837
Bonds payable - due within a year	<u>14,146</u>	<u>13,527</u>
Total current liabilities	<u>15,093</u>	<u>15,690</u>
Long-term liabilities:		
Bonds payable -due in more than one year	<u>172,590</u>	<u>188,324</u>
Total long -term liabilities	<u>172,590</u>	<u>188,324</u>
Total liabilities	<u>187,683</u>	<u>204,014</u>
NET ASSETS		
Invested in capital assets, net of related debt	543,519	556,452
Restricted	195,087	171,990
Unrestricted	<u>94,412</u>	<u>84,088</u>
Total net assets	<u>\$ 833,018</u>	<u>\$ 812,530</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF PARADISE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007
With Comparative Amounts as of June 30, 2006**

	WATER UTILITIES 2007	MEMORANDUM TOTALS 2006
OPERATING REVENUES:		
Charges for services	\$ 94,935	\$ 112,245
Other operating revenues	515	299
Total operating revenues	<u>95,450</u>	<u>112,544</u>
OPERATING EXPENSES		
Salary and wages	11,651	15,000
Other operating expenses	30,756	44,740
Supplies	6,412	9,884
Depreciation	29,766	29,419
Total operating expenses	<u>78,585</u>	<u>99,043</u>
Operating income	<u>16,865</u>	<u>13,501</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	13,433	9,270
Interest charges	<u>(9,810)</u>	<u>(10,545)</u>
Total non-operating revenue (expense)	<u>3,623</u>	<u>(1,275)</u>
Change in net assets	20,488	12,226
Total net assets - beginning	<u>812,530</u>	<u>800,304</u>
Total net assets -ending	<u>\$ 833,018</u>	<u>\$ 812,530</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF PARADISE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007
With Comparative Amounts as of June 30, 2006**

	WATER UTILITIES 2007	MEMORANDUM ONLY 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 95,958	\$ 118,526
Payments to suppliers	(38,165)	(66,278)
Payments to employees	(11,651)	(15,000)
Net cash provided (used) by operating activities	<u>46,142</u>	<u>37,248</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(1,718)	(622)
Principal paid on capital debt	(15,115)	(17,955)
Interest paid on capital debt	(9,810)	(10,545)
Net cash provided (used) by capital and related financing activities	<u>(26,643)</u>	<u>(29,122)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>13,433</u>	<u>9,270</u>
Net increase in cash and cash equivalents	32,932	17,396
Cash and equivalents at beginning of year	<u>246,415</u>	<u>229,019</u>
Cash and equivalents at end of year	<u><u>\$ 279,347</u></u>	<u><u>\$ 246,415</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 16,865	\$ 13,501
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	29,766	29,419
Changes in assets & liabilities:		
Decrease (increase) in receivables	508	5,982
Decrease (increase) in other assets	219	219
Increase (decrease) in accruals	(1,216)	(11,873)
Total adjustments	<u>29,277</u>	<u>23,747</u>
Net cash provided (used) by operating activities:	<u><u>\$ 46,142</u></u>	<u><u>\$ 37,248</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF PARADISE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Note 1: Summary of significant accounting policies

Reporting entity

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparations of the accompanying financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as

revenue as soon as all eligibility requirements imposed by the provider have been met. The Town applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Capital Projects Fund is used to accumulate funds for the capital projects for the governmental funds.

The Town reports the following major proprietary funds:

The Water Utility accounts for the activities of the Town's water production, treatment, and distribution operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Prior to the audit for the year ended June 30, 1982, a list of general fixed assets was not kept. At the time of that audit, an inventory of general fixed assets was taken and entered on the books. When actual costs were not available, the assets were recorded at estimated cost.

Depreciation of all exhaustible fixed assets used is charged as an expense against their operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water and sewer system improvements	40-50 years
Buildings	20-30 years
Machinery and equipment	5-10 years
Roads and infrastructure	20 years
Improvements other than buildings	20 years

Property Tax

Cache County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalty bear interest at 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

The Town can make adjustments to the adopted budget through public hearings. During the fiscal year, the Town made budget adjustments through a public hearing, the effects of which were not material.

Capitalized Interest

The Town capitalizes interest costs and interest earned as part of the cost of constructing various buildings, and water projects when material. Interest is only capitalized in proprietary activities.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the business-type activities considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Bond Issue Costs

Bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. Issuance costs are reported as deferred charges.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Reconciliation of government-wide and fund financial statements

- A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$1,292,002
Accumulated depreciation	<u>(1,161,816)</u>
Total difference	<u>\$ 130,186</u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 10,150
Depreciation expense	<u>(19,722)</u>
Net difference as reported	<u>\$ (9,572)</u>

Note 2: Legal Compliance - Budgets/Statutory

On or before the first scheduled council meeting in May, all agencies of the Town submit requests for appropriation to the Town's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town council for review at the first scheduled meeting in May. The Town council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the Town financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the Town council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that Town officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Note 3: Cash and investments

DEPOSITS AND INVESTMENTS

Deposits and investments for local government are governed by the Utah Money management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2007, \$71,816 of the local government's bank balances of \$403,321 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2007, the local governments had investments of \$356,867 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Note 4: Accounts receivable

Paradise Town has accounts receivable as of June 30, 2007, as follows:

General:

Garbage	\$ 7,532
Communication center	1,076
Property tax	42,041
Class "C"	<u>8,539</u>

Total general fund	<u>59,188</u>
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Water:

Services	12,912
Allowance for uncollectible accounts	<u>(4,000)</u>

Total water fund	<u>8,912</u>
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Total accounts receivable	<u>\$ 68,100</u>
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A valuation account, allowance for uncollectible accounts, has been established to more accurately reflect the estimated collectibility of utility accounts receivable.

Note 5: Restricted assets and reserved fund equity

Restricted assets and corresponding reserved fund balances and retained earnings represent monies provided or available to the Town for specified purposes and which can only be expended or held in reserve for the intended purpose.

Note 6: Accounts payable

Accounts and wages payable consist of amounts incurred and due at June 30, 2007 but which had not been paid as follows:

General fund:

Accounts payable	\$ 10,352
Contractor retainage	<u>15,956</u>

Total general fund	<u>\$ 26,308</u>
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Water fund:

Accounts payable	\$ 177
Accrued interest	<u>770</u>

Total water fund	<u>\$ 947</u>
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Note 7: General fixed assets

General fixed asset changes occurring for the year ended June 30, 2007, are as follows:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Land	\$ 32,679	\$	\$	\$ 32,679
Building and improvements	63,709			63,709
Furniture and equipment	155,661	10,150	6,404	159,407
Park improvements	105,962			105,962
Infrastructure	<u>930,245</u>			<u>930,245</u>
Total	1,288,256	10,150	6,404	1,292,002
Accumulated Depreciation	<u>(1,148,498)</u>	<u>(19,722)</u>	<u>(6,404)</u>	<u>(1,161,816)</u>
	<u>\$ 139,758</u>	<u>\$ (9,572)</u>	<u>\$</u>	<u>\$ 130,186</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 4,957
Public safety	9,965
Highways and public improvement	617
Parks, recreation & public property	<u>4,183</u>
Total depreciation expense	<u>\$19,722</u>

Note 8: Changes in long-term debt

The following is a summary of long-term debt transactions for the Town's proprietary fund type for the year ended June 30, 2007:

Bonds payable at July 1, 2006	\$ 201,851
Less: payment of principal	<u>(15,115)</u>
Bonds payable at June 30, 2007	<u>\$ 186,736</u>
Due within one year	<u>\$ 14,146</u>

Bonds payable at June 30, 2007, are comprised of the following individual issues:

<u>Water fund:</u>	<u>Principal</u>	<u>Current</u>
\$250,000 water revenue bonds due to Farmers Home Administration in monthly installments of \$1,220 which includes interest on the unpaid balance at an annual rate of 5.0%. Payments are to be made each month until final retirement in August, 2021.	\$136,777	\$ 7,947
\$25,000 water revenue bonds due to Farmers Home Administration in monthly installments of \$221 with 5% interest. Payments are made each month until final retirement on September 5, 2040.	13,768	2,009
\$81,000 water revenue bonds due to Water Resources in annual installments of \$6,500 with 5% interest. Payments are to be made annually on March 1 until final retirement on March 1, 2016.	<u>36,191</u>	<u>4,190</u>
Total bonds payable	<u>\$186,736</u>	<u>\$14,146</u>

Farmers Home Administration (FHA) holds two water fund bonds and requires that 10% of the first year's annual payment be set aside each year for ten years as a reserve. A portion of the fund's assets have been designated as restricted to meet this provision. At June 30, 2007, the total reserve requirement of FHA was \$20,792. The Town also had reserve requirements for the water resource revenue bonds.

Maturities on long-term debt for the next five years are as follows:

June 30, 2008	\$ 23,792
June 30, 2009	23,876
June 30, 2010	24,042
June 30, 2011	24,219
June 30, 2012	24,486
June 30, 2013-2017	94,568
June 30, 2018-2020	<u>39,351</u>
Total	254,334
Less: Amounts representing interest	<u>(67,598)</u>
Principal balance	<u>\$ 186,736</u>

Note 9: Water hook-ups and rates

Paradise Town water utility fund services both residential and commercial users. As of June 30, 2007, the following information was available:

Water Users

Residential	313
Commercial	<u>8</u>
	<u>321</u>

Monthly rates:

Minimum	\$24.00	first 10,000 gallons
Excess over 10,000 gallons	1.40	per 1,000 gallons

Note 10: Insurance and bond coverage

Paradise Town has insurance and bonding policies with effective limits as follows:

<u>Description</u>	<u>Policy #</u>	<u>Issuer</u>	<u>Limits</u>	<u>Expiration Date</u>
Insurance:				
Comprehensive general liability (includes auto and public officials errors and omissions) (\$250 deductible)	12910-GL2005	Utah Local Government Trust	\$2,000,000	Continuous
Property & buildings	PX809764	Unigard	977,624	7-01-07
Bonds:				
Public officials bond:				
Mayor and Treasurer	UFE1167995	Old Republic	89,000	9-24-07
Mayor and Clerk	UPS1023207	Old Republic	18,600	12-23-07
Treasurer	UPX1023207	Old Republic	18,600	12-23-07

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. No liabilities have been included in current financial statements since none of the risk situations have occurred in the Town.

Note 11: Segment information

The following information is presented for the water utility fund of Paradise Town:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>Water fund:</u>				
Fixed Asset	\$ 1,273,046	\$ 1,718	\$ 1,776	\$1,272,988
Accumulated Depreciation	514,743	29,766	1,776	542,733

Net working capital for the water utility fund is calculated as follows:

	<u>Water Fund</u>
Current Assets:	
Cash	\$ 279,347
Receivables	8,912
Less Current Liabilities:	
Accounts payable	(947)
Current portion of long-term debt	<u>(14,146)</u>
Net Working Capital	<u>\$ 273,166</u>

Note 12: Memorandum Totals

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

SUPPLEMENTAL SECTION

**TOWN OF PARADISE
SUPPLEMENTAL SCHEDULE
SCHEDULE OF IMPACT FEES**

	2000	2001	2002	2003	2004	2005	2006	2007
Beginning Balance:								
Impact Fees - Road	\$ 15,375	\$ 25,802	\$ 29,010	\$ 36,224	\$ 9,533	\$ 16,182	\$ 38,346	\$ 61,445
Impact Fees - Parks	-	-	-	-	-	2,007	12,164	21,566
Impact Fees - Water	14,965	32,523	40,453	54,151	66,168	78,170	107,552	144,399
Additions:								
Impact Fees - Road	9,423	1,827	6,250	6,250	6,453	21,624	21,624	8,109
Impact Fees - Parks	-	-	-	-	1,113	10,017	8,904	3,374
Impact Fees - Water	16,400	6,150	12,300	18,450	10,882	65,673	33,124	14,196
Interest:								
Impact Fees - Road	1,004	1,381	964	2,059	196	540	1,475	3,275
Impact Fees - Parks	-	-	-	-	894	140	498	1,163
Impact Fees - Water	1,158	1,780	1,398	1,191	1,120	1,948	3,723	7,575
Deletions:								
Impact Fees - Road	-	-	-	(35,000)	-	-	-	-
Impact Fees - Parks	-	-	-	-	-	-	-	-
Impact Fees - Water	-	-	-	(7,624)	-	(38,239)	-	-
Ending Balance:								
Impact Fees - Road	25,802	29,010	36,224	9,533	16,182	38,346	61,445	72,829
Impact Fees - Parks	-	-	-	-	2,007	12,164	21,566	26,103
Impact Fees - Water	32,523	40,453	54,151	66,168	78,170	107,552	144,399	166,170
	<u>\$ 58,325</u>	<u>\$ 69,463</u>	<u>\$ 90,375</u>	<u>\$ 75,701</u>	<u>\$ 96,359</u>	<u>\$ 158,062</u>	<u>\$ 227,410</u>	<u>\$ 265,102</u>

Impact fees have been used for the following capital projects: new water lines, new road improvements

Remaining impact fees are budgeted to be used for a water reservoir, water system improvements, and new road projects.



Peterson
Allred
Jackson

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**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Council
Town of Paradise
Paradise, UT

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise, Utah as of and for the year ended June 30, 2007, which collectively comprise the Town's financial statements and have issued our report thereon dated August 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such

that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We considered the deficiencies described in a separate letter to management dated August 14, 2007 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management on the Town in a separate letter dated August 14, 2007.

This report is intended solely for the information and use of the audit committee, management, and the Town Council and is not intended to be and should not be used by anyone other than these specified parties.

Peterson Alfred Jackson

North Logan, UT
August 14, 2007



Peterson
Alfred
Jackson

▪ Certified Public Accountants
Business Consultants

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council
Town of Paradise
Paradise, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise, Utah (the City), for the year ended June 30, 2007, and have issued our report thereon dated August 14, 2007. As part of our audit, we have audited the Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2007. The Town received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The Town did not receive any nonmajor State grants during the year ended June 30, 2007.

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

Public Debt	Justice Courts
Cash Management	B & C Road Funds
Purchasing Requirements	Liquor Law Enforcement
Budgetary Compliance	Other General Issues
Truth in Taxation and	Impact fees
Property Tax Limitations	Uniform Building Code

The management of the Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require

that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Town of Paradise, Utah, complied, in all material respects, with the general compliance requirements identified above, and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2007.

Peterson Alfred Jackson

August 14, 2007



Peterson
Allred
Jackson

▪ Certified Public Accountants
Business Consultants

August 14, 2007

Honorable Mayor and Town Council
Town of Paradise
Paradise, UT

Dear Mayor Atwood:

In planning and performing our audit of the financial statements of the Town of Paradise, UT (the Town) as of and for the year ending June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the finding 2007-2 to be significant deficiency in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control. We believe that the finding 2007-1 constitutes a material weakness:

CURRENT YEAR FINDINGS

Finding 2007-1: Audit Adjustments (material weakness)

While conducting the audit we found several audit adjustments that needed to be booked. Most significant of these adjustments were to record a transfer to the capital projects fund, book payables, book receivables, capitalize fixed assets, and adjust debt principal payments from expenses. These adjustments were not originally identified by management and therefore represent a significant deficiency in preparation of financial statements that are correct in accordance with US Generally Accepted Accounting Principles.

Recommendation:

Yearly audit adjustments are typically repeated each year. Consequently, we recommend that prior to audit fieldwork you review and adjust for such transactions to ensure the current year organizational financial statements reflect the correct year end balances.

Management response:

The Town will look into the cost effectiveness of hiring an outside consultant to adjust year-end financial statements.

Finding 2007-2: Segregation of duties (significant deficiency)

Due to the small size of the town, the duties surrounding cash handling, accounts payable, and accounts receivable are not properly segregated.

Recommendation:

Review the duties of the Town bookkeeper to decide if the cost of implementing increased segregation of duties will be worth the benefit of such segregation. Also, determine if the Town Council can assist in increasing any segregation of duties by performing additional responsibilities.

Management response:

Based on the size of the Town and the cost needed to implement full segregation of duties, the Town feels that the cost would be prohibitive. However, the Town has many implemented controls to segregate the cash receipting functions.

Finding 2007-3: Cash deposits (State Compliance)

The Town did not deposit funds received within three days in two of our sampled test items.

Recommendation:

Continue striving to deposit funds within the required three day limit.

Management response:

The Town will continue to strive to meet the three day requirement.

PRIOR YEAR FINDING

Finding 2006-1: Unreserved fund balance (State Compliance)

The Town exceeded the maximum amount of unreserved fund balance as mandated by state law by approximately \$87,000.

Recommendation:

Monitor unreserved fund balance during the year, including current year activity, to insure that the unreserved portion does not exceed 75% of the estimated general fund revenues.

Management response:

The Town will evaluate the unreserved general fund balance every six months and will make transfers to the capital projects fund if necessary.

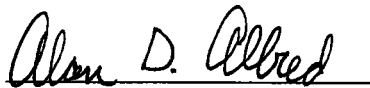
Status:

The Town reviewed the general unreserved fund balance and made the necessary transfer to the capital projects fund so that the Town was in compliance as of 6/30/07.

This communication is intended solely for the information and use of management the Town of Paradise, UT, and is not intended to be and should not be used by anyone other than these specified parties.

In conclusion, we wish to recognize all Town personnel for their dedicated services on the behalf of the Town of Paradise. We would especially like to recognize Lee Atwood and Bev Schiefer who have been most cooperative in assisting us in accomplishing the audit for the 2007 fiscal year. The performance of the Town of Paradise's annual audit has been an enjoyable experience for us, and we would like to thank you for the opportunity to serve The Town of Paradise, UT as independent auditors.

Very truly yours,



Alan D. Allred, CPA

PETERSON ALLRED JACKSON

August 14, 2007